

WATER/DON:jlj

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION**

**RESOLUTION NO. W-4391**

**May 8, 2003**

**R E S O L U T I O N**

**(RES. W-4391), ALISAL WATER CORPORATION (ALCO), NORMCO DIVISION (NORMCO) AND MOSS LANDING DIVISION (MLD). ORDER AUTHORIZING A SURCHARGE TO RECOVER AN INCREASE IN WATER TESTING COSTS PRODUCING AN INCREASE IN ANNUAL REVENUE FOR NORMCO OF \$47,121 OR 24.4% AND FOR MLD OF \$16,810 OR 14.5%.**

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**SUMMARY**

By Advice Letter No. 90, filed December 11, 2002, ALCO seeks to add a surcharge of \$7.76 per month for eighteen months for NORMCO and \$9.43 per month for eighteen months for MLD to their Metered Service Schedule No. 1-ND and Schedule No. 1-ML. The increase requested is to recover water testing costs incurred during 2000 and 2001 over and above the amount allowed in ALCO's last general rate case. This resolution authorizes an increase smaller than the increase requested in Schedule Nos. 1-ND, Metered Service, and 1-ML, General Metered Service, due to Monterey County Health Department's objections. The increase will not result in a rate of return greater than last authorized for ALCO.

**BACKGROUND**

ALCO, a Class B utility, provides water service to, among other districts, 356 customers in its North Monterey County (NORMCO) District and 126 customers in its Moss Landing District (MLD) located in Monterey County. ALCO requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover \$49,743 and \$21,382 for NORMCO and MLD, respectively, via a surcharge over eighteen months for water testing costs including water sampling, testing, and treatments costs incurred in years 2000

and 2001. ALCO's present rates became effective on August 28, 2001, pursuant to Resolution (Res.) No. W-4292, which granted increases to offset increased purchased power costs. ALCO's last general rate cases were granted pursuant to Res. W-3798 dated March 13, 1996 for NORMCO, and Res. W-4046 dated June 25, 1997 for MLD.

## **DISCUSSION**

Res. No. W-4013, dated December 20, 1996, renewed by Res. No. W-4327, dated March 6, 2002, authorized all Class B, C, and D water utilities to establish water quality memorandum accounts (WQMA) for recording expenses resulting from drinking water regulations, including water sampling, testing, reporting, and treatment costs not presently included in rates. Class B, C, and D water utilities were also authorized to request recovery of these account balances by advice letter filings in accordance with General Order No. 96-A. WQMA recovery requires a resolution.

The Chief of the Resources Protection Branch of the Division of Environmental Health of the Monterey County Health Department (MCHD) contacted Commission staff and stated that NORMCO and MLD were taking many more samples for water testing than were required. These extra unnecessary samples consist of 138 Bacteriological tests for Vierra Canyon (NORMCO) for \$2,622, and 241 Bacteriological tests for MLD for \$4,572. Deducting these amounts from the amounts requested yields a reasonable figure of \$47,121 or \$7.35 per customer per month for eighteen months for NORMCO, and \$16,810 or \$7.41 per customer per month for eighteen months for MLD.

Since MCHD is another governmental agency responsible by law for setting these water testing standards, the objections are reasonable and should be given full weight.

The surcharge requested herein would allow ALCO to recover WQMA balances for the years 2000 and 2001. The Water Division conducted an earnings test on an actual basis for recorded year 2001. ALCO reports a loss on its net income on a recorded basis for year 2001 and is not earning over its authorized rate of return. The Water Division recommends that ALCO be authorized to assess a surcharge of \$7.35 per customer per month for a period of eighteen months for NORMCO and \$7.41 per customer per month for eighteen months for MLD.

## **NOTICE AND PROTESTS**

Notice of the proposed rate increase was mailed to each customer of NORMCO and MLD on December 10, 2002. The Water Division received no letters objecting to the increase.

## **FINDINGS**

1. Res. Nos.W-4013 andW-4327 authorized all Class B, C, and D water utilities to establish WQMAs for recording expenses resulting from drinking water regulations not presently included in rates.
2. Class B, C, and D water utilities were authorized to request recovery of the account balances by advice letter filings.
3. ALCO filed Advice Letter No. 90 to seek a surcharge to recover water testing costs incurred during 2000 and 2001.
4. MCHD states that NORMCO and MLD are taking an unreasonable number of water samples for water testing.
5. MCHD is the governmental agency charged with determining the correct number of water samples and its objection is reasonable and should be taken into account.
6. The Commission finds, after investigation by the Water Division, that the change hereby authorized is justified, and the resulting rate is just and reasonable.

## **THEREFORE IT IS ORDERED THAT:**

1. Alisal Water Corporation is authorized to file a supplement to Advice Letter No. 90, to make effective on five days notice, revised rate Schedule No.1-ND, Metered Service for the NORMCO District, and Schedule No. 1-ML, Metered Service for the Moss Landing District, to implement the surcharge rates discussed herein, and to cancel the presently effective rate schedules.

2. Alisal Water Corporation is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on May 8, 2003, the following Commissioners voting favorably thereon:

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WILLIAM AHERN  
Executive Director

MICHAEL R. PEEVEY  
President

CARL W. WOOD

LORETTA M. LYNCH

GEOFFREY F. BROWN

SUSAN P. KENNEDY

Commissioners